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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JUL 22 2014

BOB STUMP - Chairman
 GARY PIERCE
 BRENDA BURNS
 BOB BURNS
 SUSAN BITTER SMITH

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF
 TRICO ELECTRIC COOPERATIVE, INC., AN
 ARIZONA CORPORATION, FOR AUTHORITY
 TO BORROW THE ADDITIONAL SUM OF
 \$58,786,000 FROM THE UNITED STATES OF
 AMERICA (RURAL DEVELOPMENT UTILITIES
 PROGRAM) AND THE ADDITIONAL SUM OF
 \$25,194,000 FROM NATIONAL RURAL
 UTILITIES COOPERATIVE, AND TO EVIDENCE
 SAID LOANS BY EXECUTION OF LOAN
 AGREEMENTS, PROMISSORY NOTES AND
 SECURITY DOCUMENTS REQUIRED BY THE
 LENDERS.

DOCKET NO. E-01461A-07-0433

DECISION NO. 74583

ORDER AMENDING DECISION
NOS. 70399 AND 73933 PURSUANT
TO A.R.S. § 40-252

Open Meeting
 July 22 and 23, 2014
 Phoenix, Arizona.

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the
 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On July 23, 2007, Trico Electric Cooperative, Inc. ("Trico" or "Cooperative"), a non-profit member-owned electric power distribution cooperative, filed an application with the Commission for authorization to borrow \$83.98 million from the Rural Utilities Service ("RUS") ("Finance Application").¹

2. On July 3, 2008, the Commission issued Decision No. 70399, which authorized Trico to borrow funds from the RUS in an amount not to exceed \$20.8 million and additional funds in an

¹ Trico originally planned to borrow \$58,786,000 from the RUS and \$25,194,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC"), but subsequently decided to borrow all the funds from the RUS.

1 amount not to exceed \$63.18 million, for the purpose of funding its 2008 budget for its construction
2 work plan, conditioned on Trico being able to demonstrate that the additional borrowing would result
3 in a Times Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC") of 1.25 or greater
4 using Trico's most recent annual report. Decision No. 70399 provided that any authorization to incur
5 debt granted in the proceeding would terminate on December 31, 2013.

6 3. Pursuant to the authority granted in Decision No. 70399, Trico entered into an RUS
7 Loan Contract dated July 1, 2008, under which the RUS issued a guarantee of a loan in the amount of
8 \$83,979,000 to be used by Trico to finance certain system extensions and improvements ("RUS Loan
9 Contract"). The RUS Loan Contract had a termination date of July 31, 2013.

10 4. The RUS financing was intended to cover the construction of additional and
11 supplemental facilities needed to meet expected growth in Trico's service area and to allow Trico to
12 maintain its plant in sound condition to be able to continue to provide safe and reliable electric
13 service. The RUS financing consisted of a 35-year amortizing loan that permitted multiple draws
14 over the approximate five years of the construction work plan being financed. When the Commission
15 approved the RUS loan, the termination date of the borrowing authority was intended to comport
16 with the anticipated five-year time frame of construction work plan.

17 5. Due to the unforeseen 2008 economic downturn and resultant delay in completing the
18 planned system extensions and additions, Trico did not complete the construction work plan within
19 the anticipated five years. As of December 31, 2012, Trico had borrowed only \$41,500,000 of the
20 \$83,979,000 available under the RUS Loan Contract. In 2013, Trico claimed that it still had a need
21 for advances of the remaining balance under the RUS Loan Contract to fund its construction work
22 plans beyond the original July 31, 2013 termination date. Thus, it sought its first extension of the
23 RUS Loan Contract, and requested that the Commission extend the long-term borrowing authority
24 under Decision No. 70399 until July 31, 2014.

25 6. Trico received the requested extension of the RUS Loan Contract, and on June 27,
26 2013, the Commission issued Decision No. 73933 which extended Trico's authority to incur long-
27 term indebtedness pursuant to Decision No. 70399 until July 31, 2014.

28 ...

1 7. On June 16, 2014, Trico filed an Application under A.R.S. § 40-252 to Amend
2 Decision Nos. 70399 and 73933 to extend the financing authority granted in those decisions for
3 twelve months—from July 31, 2014 to July 31, 2014.

4 8. Trico requested expedited consideration of its request in order to have the matter
5 considered at the Commission's July 22, 2014 regularly scheduled Open Meeting, and it waived the
6 10-day exception period to facilitate the expedited consideration.

7 9. Trico states that the slow economic recovery in its service area prevented it from
8 completing the construction plan, and that it still has, and will have, a continuing need for advances
9 of the remaining balance under the RUS Loan Contract to fund its construction work plans beyond the
10 July 31, 2014 termination date. As of April 8, 2014, Trico had borrowed \$53,050,000 of the
11 \$83,878,000 available under the RUS Loan Contract.

12 10. Trico received tentative approval from the RUS to extend the RUS Loan Contract until
13 July 15, 2015, but was informed by RUS that it must obtain the necessary regulatory approval by
14 June 25, 2014, in order for the RUS extension to be effective.²

15 11. Trico asserts that the RUS Loan Contract provides an economic source of financing,
16 and that it is in the public interest to extend the financing authority granted in Decision Nos. 70399
17 and 73933 to allow Trico continued access to financing under the RUS Loan Contract.

18 12. On June 20, 2014, Staff filed a memorandum stating that Staff does not oppose Trico's
19 request and recommends that the Commission approve the Cooperative's request for an extension of
20 time until July 31, 2015, to enable Trico to utilize the additional loan funds. Staff explains that the
21 extension is based on the construction slowdown connected with the downturn in the economy and
22 appears to be a necessary requirement of the continuation of the RUS Loan Contract.

23 13. Staff further recommends that Trico file any future requests requiring Commission
24 approval 90 days prior to the expiration date of any loans or any other matters that require
25 Commission approval, and that Trico notify the Commission of its intent to file an application or an
26 extension of time for the renewal of the \$83.98 million loan no later than April 1, 2015.

27 ² Trico has informed the Commission's Utilities Division ("Staff") that the RUS will grant Trico an extension of the RUS
28 Loan Contract if Trico receives an extension of the Commission's loan authorization termination date on July 22, 2014,
the next regularly scheduled Open Meeting day for the Commission.

1 14. Under the circumstances as presented, Trico's request for an extension of time is
2 reasonable and should be approved. Staff's recommendations concerning future extension requests
3 are also reasonable.

4 **CONCLUSIONS OF LAW**

5 1. Trico is a public service corporation within the meaning for Article XV of the Arizona
6 Constitution and A.R.S. §§ 40-252, 40-310, 40-302, and 40-303.

7 2. The Commission has jurisdiction over Trico and of the subject matter of Trico's
8 Finance Application and its request for an extension of such authority until July 31, 2015.

9 3. The financing as approved and conditioned in Decision Nos. 70399 and 73933, and as
10 extended herein, is for lawful purposes within Trico's corporate power, is compatible with the public
11 interest, with sound financial practices, and with the proper performance by Trico of service as a
12 public service corporation, and will not impair Trico's ability to perform the service.

13 4. The financing authority approved previously in Decision Nos. 70399 and 73933, and
14 as extended herein, is for the purposes stated in the Finance Application, is reasonably necessary for
15 those purposes and such purposes may not be reasonably chargeable to operating expenses or to
16 income.

17 **ORDER**

18 IT IS THEREFORE ORDERED that Decision Nos. 70399 and 73933 are hereby amended
19 pursuant to A.R.S. § 40-252 to allow Trico Electric Cooperative, Inc. an extension of time until July
20 31, 2015, to draw on the available loan funds subject to the terms of Decision No. 70399.

21 IT IS FURTHER ORDERED that in all other respects Decision No. 70399 shall remain in full
22 force and effect.

23 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. is authorized to execute
24 any documents necessary to effectuate the authorizations granted herein.

25 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file with Docket
26 Control, as a compliance item in this docket, copies of any additional executed financing documents
27 related to this authority within 60 days after the date of execution.

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1 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
 2 constitute or imply approval or disapproval by the Commission of any particular expenditure of the
 3 proceeds derived thereby for purposes of establishing just and reasonable rates.

4 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file any future
 5 requests requiring Commission approval 90 days prior to the expiration date of any loans or any other
 6 matters that require Commission approval unless there is an emergency or other unanticipated
 7 circumstances, and shall notify the Commission of its intent to file an application or an extension of
 8 time for the renewal of the \$83.98 million loan no later than April 1, 2015.

9 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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 13 CHAIRMAN

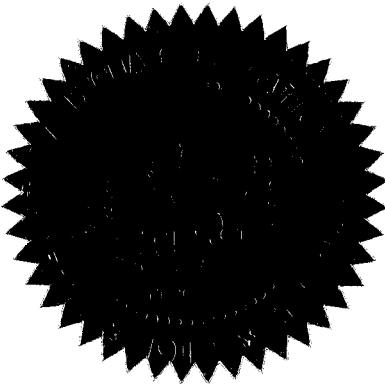
COMMISSIONER

EXCUSED
 COMM. BURNS

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 15 COMMISSIONER

COMMISSIONER

COMMISSIONER



16 IN WITNESS WHEREOF, I, JODI JERICH, Executive
 17 Director of the Arizona Corporation Commission, have
 18 hereunto set my hand and caused the official seal of the
 19 Commission to be affixed at the Capitol, in the City of Phoenix,
 20 this 22nd day of July 2014.

21
 22 JODI JERICH
 23 EXECUTIVE DIRECTOR

24 DISSENT _____

25 DISSENT
 26 JLR:tv _____

1 SERVICE LIST FOR: TRICO ELECTRIC COOPERATIVE, INC.

2 DOCKET NO.: E-01461A-07-0433

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